

• **Financing for O'Shaughnessy Hall Renovation**

Project Type: Improvements-Other

Total Project Cost: \$21,500,000

Description

This request is for a 100 percent nongeneral fund debt authorization to complete the O'Shaughnessy Hall Renovation project. This project has been initiated under the university's restructuring authority using entirely nongeneral fund resources. The project is in the construction phase with a total cost of \$21.5 million, which is approximately \$63,000 per bed. The cost per bed is in the normal range of expected costs for Virginia Tech residential space. This request is for authorization to issue 9(d) debt through the VCBA to finance project costs.

O'Shaughnessy Hall was built in 1966 and is approximately 69,200 gross square feet with housing capacity for about 341 students. The facility has received few improvements since its original construction, does not meet student expectations, and carries a significant deferred maintenance backlog. The Board of Visitors approved the University's 2016-2022 Capital Plan on June 1, 2015, including a nongeneral fund project to renovate O'Shaughnessy Hall. Converting O'Shaughnessy Hall into a living-learning format will modernize the program space within the building with minimal loss of beds. The programmatic changes include the creation of a faculty principal apartment, five to seven faculty/staff offices, a classroom, and common meeting rooms for student activities. The project scope includes updating the building's interior; residential rooms; bathrooms; mechanical, electrical, and plumbing systems; elevators; addressing other deferred maintenance items as needed; and installing air conditioning.

Justification

Financing Request:

The Board of Visitors approved the project on April 3, 2017. The funding plan includes \$8,866,577 of auxiliary cash and \$12,633,423 of fixed rate debt. The project is underway and the university is prepared to issue stand-alone debt for the project if necessary.

The State's VCBA program offers the most favorable cost of capital terms of issuance costs and interest. This request is for a debt authorization to issue up to \$12,633,423 in the 9d VCBA program. Compared to a stand-alone issuance, issuing through the VCBA will reduce issuance costs and the cost of capital which would lower debt service and the savings will be passed along to students in the form of lower fees.

Funding Plan:

The program for the O'Shaughnessy Hall Renovation project is 100% nongeneral fund auxiliary enterprise. Thus, the funding plan calls to \$21.5 million of nongeneral fund auxiliary enterprise support. Residential Programs will contribute \$8,866,577 of auxiliary revenue towards the project to lower the amount of debt needed for the project. This proposal is for the remaining \$12,633,423 to be funded with traditional nongeneral fund 9d bond financing.

Authorization to finance the permanent debt issuance for the project through the VCBA 9d program will allow for more favorable financing terms, reducing the cost of capital which would benefit students. Participating in a stand-alone issuance is four times more expensive for cost of issuance than participating in the pooled bond program. The significant savings on the cost of issuance is passed on to students through lower fees. The debt service will be covered by Residential Programs auxiliary revenue.

Residential rates vary across the system based on the features and accommodations that different dorms offer. Students residing in the renovated O'Shaughnessy Hall will pay a residential fee, already forecast within the university rate structure, which is in line with other dorms that have similar features and accommodations. The estimated fee impact is shown below and is the same for Virginian and Non-Virginian domicile students.

Annual per student fee(s) to be assessed to support this project:

- Renovated Facility Room Fee to Project Residents - \$1,310
- No System-Wide Existing Room and Board Fee Impact

Total Annual student fee(s) revenue assessed to support the project.

- Renovated Facility Room Fee to Project Residents - \$417,890
- No System-Wide Room and Board Fee Impact

This increase will bring rates for this project in-line with rates of residential facilities that have similar features and accommodations.

Alternatives Considered:

Option considered but not pursued was delaying the project. Delaying the project is not a viable option because the residence hall had significant deferred maintenance. General operations and maintenance reserve projects could no longer bring the facility up to acceptable conditions and the university needs to continue modernizing its aging inventory of residence halls.

Methodology

Alternatives Considered

Funding Request

Year	Phase	Fund Code	Fund Name	General Fund & Tax Sup Debt	Nongeneral Funds	9C Debt	9D Debt
2018	Full Funding	08150	9(D) Rev Bonds-Construction	\$0	\$0	\$0	\$12,633,423
2018	Full Funding	03060	Auxiliary Enterprise	\$0	\$8,866,577	\$0	\$0
Totals				\$0	\$8,866,577	\$0	\$12,633,423
Total All Funds Requested = \$21,500,000							